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Thai tobacco barn

- Uruguay's Record Beef Exports
- Tobacco in Mexico, Brazil

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This week's cover:

Thai Tobacco Monopoly workers hanging sticks of green tobacco in curing barn. Thailand is trying to boost its production of high-quality leaf to improve the domestic product and expand exports. See article beginning on page 10.

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Despite meatless days at home

Uruguay's Beef Exports Set New Record in 1976

Uruguay—South America's second most important beef exporter after Argentina—increased its foreign sales in 1976 by about two-thirds over the previous year's to set a new country record. Sales to some traditional customers jumped significantly, and the number of markets doubled.

At the same time, however, there were serious beef shortages on the domestic market, and although the total value of meat and byproduct exports was higher than in 1975, the unit value was down for all meat and meat byproducts.

In 1977, exports of beef—of which all but about 3-4 percent were fresh, chilled, or frozen beef in 1976—are likely to hit a new record. But the shortage of live cattle may make it difficult to fulfill existing export commitments without aggravating the beef shortage at home. Some sources, moreover, believe that the shortage will not be alleviated for another 4-5 years.

In the year just ended, Uruguay exported an estimated 190,000 metric tons of beef (carcass-weight equivalent), compared with 113,000 tons in 1975, and the previous record of 167,000 tons in 1970. The 1977 forecast is for exports of 220,000 tons.

Uruguay's beef exports between January and September 1976 (the latest month for which exports by destination are available) amounted to 126,811 tons (product weight) to 36 countries. This compares with 35,171 tons and 17 countries in the same period a year earlier. On a carcass-weight equivalent basis, exports were 164,981 tons in the 1976 period and 51,912 tons in the 1975 period.

Total exports of all meats, offals, and byproducts during the first 9 months of 1976 amounted to 153,183 tons (product weight), up from 51,492 tons during the same period of 1975. Total value of meats and products exported during this period in 1976 was US$112.5 million; it was only US$49.6 million in the same period of the previous year.

But the average export unit price of beef (product weight) during the 9-month period of 1976 was US$777 per ton, 30.6 percent lower than the US$1,120 per ton received during the same period of 1975.

Egypt was Uruguay's most important individual export market in 1976 in terms of volume, taking 24,481 tons of beef during the January-September period for a more than sixfold rise from 1975's 3,305 tons. A later sale of 4,000 tons has been reported, bringing the total to 28,481 tons. Spain was the next largest market, taking 20,506 tons in the first 9 months of 1976; up from just 3,141 tons in the same 1975 period.

The region showing the largest percentage jump was the Caribbean area, where Uruguay's exports increased from 20 tons in 1975 to 1,299 tons in 1976. In 1975, shipments to the region went only to the Dutch Antilles. In 1976, six countries in the Caribbean region bought Uruguayan corned beef and unprocessed beef.

During the 1976 period, 30,920 tons went to European Community countries, compared with 11,820 tons during the same period of 1975. The United Kingdom boosted its beef purchases from 41 tons to 1,337. France increased its purchases from 1,880 tons to 10,733 tons. Takings by the other EC countries jumped by an average of 87 percent in 1976.

Non-EC European countries took a total of 46,601 tons, up from 10,945 tons during the first 9 months of 1975. Portugal was the major customer in the area. Its purchases soared to 8,009 tons, up from 413 tons in the period the year before.

Beef exports to the Middle East and Africa were up 220 percent to 37,955 tons from 11,842 tons.

More than 10,000 tons were exported to a group of 10 miscellaneous countries, including the United States whose purchases consisted of 82 tons of Uruguayan canned corned beef. The presence of foot-and-mouth disease in Uruguay precludes the shipment to this country of Uruguayan fresh or frozen beef.

Left, Hereford cattle are Uruguay's predominant exotic meat breed. They were first imported from the United Kingdom and later from the United States. Now U.S. sales to Uruguay are mostly of semen. Below, a Uruguayan gaucho oversees weighing of cattle. Uruguay is South America's second most important exporter of beef.

Uruguay experienced a reasonably rainy summer (November 1975-February 1976), followed by a dry fall and a winter with frequent frosts, which damaged pastures.

With export slaughterings draining off large numbers of beef animals, the cattle population, as of June 30, 1976, declined by about 7 percent to 10.7 million head, when compared with the number on the same date in 1975. However, the census revealed that the number of sheep had increased by 10 percent, mainly because of stronger interest in wool production, a result of higher international prices.

Because of Uruguay's need for foreign exchange, export shipments were continued during the beef shortage, and domestic consumers often had to do without, or limit their intake.

The shortage of beef on the domestic market was intensified toward the end of 1976 as Uruguay stepped up exports to meet contract demands. Under one of these agreements, Uruguay was to ship 35,000 tons of beef to Brazil by the end of January 1977. But as of early November, Uruguay was 27,700 tons shy of that total. Uruguay recently sold another 6,000 tons of beef to Spain and 4,000 tons to Egypt.

In past years, the Government had established annual beef consumption bans to make enough meat available for export. But such restrictions were not necessary in 1976. Beef was in such short supply—particularly in the consumption centers of Montevideo and Canelones Provinces—that during the January-June period, deliveries to these Provinces were only 8,000-9,000 tons per month. In July, they fell to only 6,640 tons, to 3,040 tons in August, and 2,600 tons in September.

THE MONTHLY allotments are usually set by a commission within the Ministry of Agriculture. But since farmers were unable to make normal fat cattle deliveries to packing plants, the

question of setting quotas was academic toward the end of the year.

Pastures reportedly are coming back well, but the number of cattle marketed in 1977 probably will remain limited as farmers concentrate more of their resources in the wool sector. Income from wool will make it possible for them to keep cattle on pasture longer than normal, in the hope that beef prices will rise. Thus, the cattle shortage will be further exacerbated as the Government, driven by its need for foreign exchange, redoubles its efforts to keep a steady flow of beef going to overseas markets.

The Government, ever seeking ways to keep cattle moving to export slaughterhouses, increased per-kilo carcass-weight producer prices paid by the packers by an average of nearly 25 percent in September. However, the benefit to farmers was reduced somewhat as the decree also transferred payment of shipping charges from the packing house to the producer.

There were loud protests, and in response, the Government authorized packers to pay a minimum and maximum price for cattle to offset the extra charge. The decree also provided premium payments for higher quality cattle and set new retail prices for Montevideo and Canelones.

The consensus of Uruguayan beef exporters is that world market conditions may play a smaller role in limiting Uruguay's foreign beef sales than the size of the domestic fat cattle supply, and future Government policies dealing with the relative importance of increasing local consumption or maintaining beef exports at a high level.

The Government has already indicated its desire to continue to push exports. The Minister of Agriculture commented recently that a per capita meat consumption of 65 kilograms (kg) might be more rational than the present level. The statement was made despite the fall of per capita consumption in recent years, from 84 kg in 1975 to an estimated 76 kg in 1976. The estimate for 1977 is even lower—72 kg.

But the price of beef is a key element in Uruguay's consumer price index calculations. If beef consumption is reduced to a level markedly lower than at present, more money would become available to buy other food items—some in even shorter supply. The shift in purchasing power could throw the economy further out of kilter.

Also, before meat consumption could be reduced, protein substitutes such as poultry and pork would have to be made available. But current high grain prices make this difficult. Furthermore, consumer preference is for beef, doubly so since the Government's policy is to offer it for sale at a low—and at times, subsidized—retail price.

But if it were possible to reduce per capita beef consumption to 65 kg, export availability could go as high as 240,000 tons, based on the current estimate that 2.1 million cattle will be available for slaughter in 1977.

In the longer run, however, there is concern that reductions in breeding programs—that may have begun as early as 1975—will not only result in a further shortfall in domestic beef supplies, but may also affect exports. Since the cattle breeding cycle is about 5 years, it may be 1980 before adequate cattle supplies are available to cover both export and domestic demands.

It is generally believed that the high 1976 slaughter level—and that projected for 1977—grew out of the cattle surplus that started to build in 1974 with the imposition of beef import restrictions by the EC. And with the growth of the sheep herd in 1976 and longer retention of cattle on pasture, the situation is further complicated.

The June 30, 1976, sheep census—due for release shortly—is expected to show close to 16 million head versus 14.9 million in 1975. And there are some who believe the figure will be even higher.

But Uruguay does not have sufficient pasture to accommodate a sharp build-up in sheep numbers and handle the current cattle load at the same time. So production of one or the other will suffer.

Important to the outcome of these problems is the Government's response to a number of questions. Will it continue to restrict market prices for cattle, which will incline farmers toward more profitable sheep and wool production? Or will it continue its consumer price policy that has fixed beef retail prices at low and even subsidized levels, and thus require farmers to produce beef despite the lower prices? And will Uruguay's need for foreign exchange force exports to a higher level?

—Based on reports from
Office of U.S. Agricultural Attaché
Buenos Aires

Canada Looks At 1976 Farm Production, '77 Prospects

By CAROL E. BRAY
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Praising Canada's farmers as real heroes in the country's anti-inflation program, Agricultural Minister Eugene Whelan last month cited the fall of food prices as a major factor in the decline in the consumer price index. In other opening remarks to delegates at Canada's Agricultural Outlook Conference, Whelan called careful management and production planning of primary importance in maintaining stability in the agricultural sector.

Speakers who followed outlined—as usual in this annual conference—Canadian production, exports, and future prospects for the country's major crops.

Increased area and the largest yields in Canada's history produced a record wheat crop of 23.5 million metric tons in 1976, 38 percent larger than the 17.1 million tons produced in 1975. Average yields were 2.11 tons per hectare, compared with the previous high of 1.86 tons per hectare in 1966. Fifty-nine percent of the wheat is estimated to fall in the No. 1 grade category, compared with last year when only 17 percent graded No. 1.

Wheat exports in 1975/76 (Aug.-July) reached 12.2 million tons. Wheat exports of 3.5 million tons during August-November 1976 (the first 4 months of the wheat marketing year) were running 17 percent below the 4.2 million tons exported during the same period in 1976. Despite the lag in 1976 sales, the Canadian Wheat Board (CWB) indicated that it expects to sell between 13-15 million tons of wheat during 1976/77. The largest volume of Canadian wheat ever exported in 1 year was 16.1 million tons in 1963/64.

Canada sold over 14 million tons in 2 of the past 10 years. Most recent sale of this size was in 1972/73, when 15.6 million tons were sold. The annual aver-

age volume of wheat sold in the last 10 years was 11.7 million tons.

The CWB recently announced three large export sales. On December 7, 1976, it reported the sale of 762,000 metric tons to the People's Republic of China (PRC). This sale topped off the 3-year-bilateral wheat agreement between Canada and the PRC to sell a minimum of 4.8 million and a maximum of 6 million tons over the period 1973-76. A total of 4.8 million tons has been sold to the PRC under the agreement, including the sale just announced.

On December 16, 1976, the CWB released information on the sale of 500,000 tons of wheat to Egypt. The sale was made possible by a Canadian Government repayment guarantee under which the CWB extended credit to Egypt. This sale was the first of Canadian wheat to Egypt since 1970.

Canada has also entered into an agreement with Poland to supply between 750,000 and 1.2 million tons of wheat, barley, and oats in the next 3 years. This is similar to an agreement made with Poland in 1973. In the past 3 years, Canada has exported to Poland an average of 406,000 tons of grain per year—65 percent barley and 35 percent wheat.

The wheat export price (No. 1 Canadian Western Red Spring wheat, basis Thunder Bay) was down 49 percent in November 1976 from the same month a year earlier—Can$121 per ton, compared with Can$180 in 1975. The price of Durum wheat in November 1976 was Can$118 per ton, compared with Can$223 in November 1975. (Can$1 is nearly equal to US$1.)

Canada expects wheat production in 1977 to be down to about 18.5 million tons, assuming a yield of 1.74 tons per hectare and a 5-6 percent reduction in total area planted to wheat. Most of the decline is expected to be in Durum. Large carryover stocks brought into the 1977/78 marketing year could offset any below-average yields that may occur in 1977.

Wheat stocks on August 1, 1976, were 8.1 million tons—less than a third of the record carryover of 27.4 million tons, which occurred on August 1, 1970. Since then, the LIFT program (Less Inventory for Tomorrow) and significant shortfalls in world wheat production for several years have resulted in a reduction in carryover stocks. The LIFT program was initiated to reduce wheat output and stocks.

Record yields of 2.05, 2.38, and 1.74 tons per hectare for oats, barley, and rye, respectively, more than offset declines in area planted to coarse grains, and resulted in a 9 percent increase in coarse grain production in 1976.

Despite the climb in coarse grain production in 1976, large buildups of feedgrain stocks are not expected to occur during 1976/77. Low stocks at the start of 1976/77, combined with expected increases in poultry and hog feedings, are expected to result in smaller supplies of feedgrains available for export in 1977. Canada sold 4.7 million tons of feedgrains for export in 1975/76. If the present price differential between wheat and feedgrains continues, Canadian producers expects that area planted to barley will increase in 1977. Area planted to corn and oats will probably remain near 1976 levels.

OILSEED PRODUCTION was down 42 percent in 1976. The largest drop was in the production of rapeseed, which fell 47 percent from 1.7 million tons in 1975 to 930,000 tons in 1976. This skid put rapeseed production back to levels characteristic of the pre-1970 period. In 1970, the LIFT program encouraged rapeseed as an alternative to wheat, and rapeseed production more than doubled between 1969 and 1970. Area planted to rapeseed is expected to rise further in 1977.

High rates of cow and calf slaughter in 1975 were reflected in a 3.8 percent fall in the cattle inventory on July 1, 1976. This follows a 2-percent decline in cattle numbers on January 1, 1976, the first such slide since 1968. A further drop of 3-5 percent is expected to be reflected in the cattle surveys scheduled to be held this month.

Slaughter of cattle of Canadian origin in 1976—mostly cow heifers—was up 6 percent from that of 1975 to about 3.6 million head—a new high.

Slaughter of cows of Canadian origin was up about 6 percent during January-November 1976—3 percent in eastern and 9 percent in western Canada. A slippage in cow slaughter rates in September 1976 from the same month a year earlier may indicate the beginning of a slowdown in domestic cow slaughter. Heifer slaughter in January-November 1976 rose by 14 percent—18 percent in the west, 5 percent in the east.

In 1977, cattle slaughter rates are expected to sag 5-8 percent. Calf slaughter is expected to be down 10 percent, cow slaughter 15 percent, and heifer slaughter 13 percent from 1976's.

Increased feeding and heavier carcass weights may result in smaller declines in total beef output than suggested by expected reductions in slaughter numbers.

According to unofficial Agriculture Canada trade figures for the period January to October 1976, total Canadian exports of dressed beef were about 41,800 tons, 29,300 tons above 1975 exports. Ninety percent of Canadian beef exports went to the United States; 45 and 39 percent of Canadian beef imports came from Australia and New Zealand, respectively.

In October 1976, Canadian beef exports to the United States were limited to 36,470 tons by the U.S. meat import quota. On October 18, 1976, the Canadian Government established a global quota of 7,900 tons on imports of beef into Canada, for the fourth quarter of 1976. Under the Canadian quota, Australia could supply 3,700 tons, New Zealand 2,200 tons, and the United States 2,040 tons.

Gradings for hog slaughter during the January-November 1976 period fell 6 percent from those of the same period a year earlier. A 1 percent gain in hog slaughter for the third quarter of 1976, however, indicates a possible upturn in the hog slaughter rate, the first to occur in over 2 years. Hog slaughter in the first half of 1977 is expected to average 10-15 percent above the same period in 1976, a rise of 9-11 percent in the east and 12-15 percent in the west.

Since 1973, exports of pork have been falling, while imports have climbed. Japan accounts for a mounting proportion of Canadian pork exports—72 percent in 1976, compared with 63 percent in 1975. Canadian pork imports for 1976 increased 86 percent above 1975's. The price differential between the Canadian and U.S. markets has resulted in larger pork imports from the United States.

Both egg and turkey production are under national supply management programs, which control production and imports through quotas. Turkey output in 1976, of 90,260 tons, was slightly under the 92,080-ton production quota established for the year by the Canadian Turkey Marketing Board. The quota on imports of turkeys and turkey meat amounted to 1,810 tons in 1976, but over 4,540 tons more than the established import quotas were brought into the country under supplementary import licenses.

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Further gains seen for 1977

Mexico and Brazil: Growing Contenders in Tobacco Sales

By B. G. ANDREWS
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ALTHOUGH still the No. 1 exporter of tobacco, the United States is seeing that position slowly chipped away by competing countries as they gain ground even in markets once dominated by U.S. flue-cured and burley tobaccos. Two examples of this rising competitive force are Mexico and Brazil, whose tobacco sales are increasing both in the United States and in its markets abroad.

Tobacco expansion in each has been checked recently by unfavorable weather—Mexico's in 1975 and Brazil's in 1976. But these nations are determined to boost their tobacco production and trade. They also enjoy strong competitive clout in burley and flue-cured markets that the United States once held sway over by virtue of its high-quality leaf and the absence, at times, of serious foreign competition. (Rhodesia has been an "on and off" competitor, with its role sharply diminished, since the nation broke off from the British Commonwealth 10 years ago.)

In recent years, competition has been rising as developing nations like Brazil and Mexico have entered the picture and capitalized on their relatively low production costs—albeit ones that are on the rise. Such nations also benefit from considerable Government protection and assistance and preference duties in the European Community under the Generalized System of Duty Preferences.

As a result, both Brazil and Mexico can sell flue-cured and burley leaf on the world market at about half the U.S. export price. Quality of their leaf is admittedly below that of U.S. tobacco, which has long carried a premium. However, with some cigarette blends increasingly popular today, quality may not be so important as it once was. And the price gap is now so great that the burley and flue-cured tobaccos of these and other developing countries sell at more competitive prices than U.S. primings and nondescript grades.

Production and export plans of Brazil and Mexico have thus become of increasing interest to the U.S. tobacco trade. Their current and prospective production and trade goals are ambitious.

Mexico. Under the helm of a Government corporation that controls tobacco production and trade—TABAMEX—Mexico has steadily intensified efforts to boost tobacco output. Its aim is not only to become self-sufficient in tobacco, but also to export more and import less—goals that so far the nation seems to be achieving.

The 1976 harvest, for instance, rose by nearly one-fourth from that of 1975 to an estimated 64,300 metric tons, in response to favorable weather and improved yields. And the burley and other light tobaccos that provide the greatest competition for U.S. tobacco represented over 80 percent of production. Tentative forecasts for 1977 indicate further gains of about 3 percent in plantings and 5 percent in production, with cigarette leaf outturn reaching a new high of 53,600 tons.

TABAMEX also has announced

U.S. TOBACCO FACES GREATER COMPETITION WORLDWIDE

Tobacco is a major farm commodity in the United States, returning over $2 billion to growers in 1975, while earning some $1.4 billion in foreign exchange (including both manufactured and unmanufactured tobacco) in fiscal 1976. Tobacco also is one of the few crops that can still utilize family labor and provide a reasonable income on a small farm.

But these U.S. producers are facing increasing competition from foreign producers not only in Mexico and Brazil but also in South Korea, India, and others as world demand gains and prices go up accordingly. As a result, the U.S. share of world leaf tobacco exports has fallen steadily in the recent years, totaling only 20.8 percent in 1975, compared with 25.3 percent in 1970 and an average of 27.7 percent in 1965-69.

For—despite the smoking and health issue of recent years, rising tobacco and cigarette prices, and other problems that might be expected to curb smoking—tobacco consumption is continuing an upward trend. In fact, available supplies recently have been tightening, sparking a price advance that continued through 1976.

This increased competition is partly the consequence of population growth. It also stems from rising incomes, especially in developing nations where tobacco consumption has been limited by a lack of buying power and where cigarettes are among the first "luxury" items purchased when wages begin to rise.

Such trends are seen continuing in the near future, boosting consumption of cigarettes by 3-4 percent annually and bringing similar gains in demand for tobacco.

At the same time, tobacco production in the countries that compete with the United States can be expected to chart an upward course. Foreign competitors thus face a relatively bright future, which will be helped by generous assistance from their governments plus preferences for developing countries under the European Community's Generalized System of Duty Preferences.

Of course, the advantage will diminish as foreign production costs approach those of the United States—a gap that could eventually be narrowed for rapidly developing countries like Mexico and Brazil.

Fields of tobacco in Mexico, whose expanding tobacco output and trade has posed stiffening competition for U.S. producers. Brazil likewise is an increasingly important Latin American competitor.

plans to launch a leaf production campaign aimed at better meeting domestic and overseas demand. Toward this end, grower prices for 1977 have been increased, with flue-cured and burley prices up about 7 percent to 13.30 and 17.10 pesos per kilogram, respectively. Given this added production incentive, plus the recent devaluations of the peso, Mexican tobacco exporters should be in a good position to make further export gains in 1977.

Such growth would continue the strong advances made in the last 3 years. During that time, shipments of cigarette-type tobaccos—mainly burleys—averaged about 21,000 tons, or around 75 percent more than the 1970-72 average of 12,000. The difference would have been even higher had it not been for reduced shipments in 1975 owing to a short crop and poor-quality leaf. In 1976, however, they are expected to resume their upward trend, reaching about 23,000 tons.

In the past, the United States has usually taken about one-third of Mexico's exports, while the European Community and Japan are the other major markets. In the past 2 years, however, the United States has become by far the largest market, receiving about half of Mexico's tobacco exports.

While pushing exports, the Government also is taking stringent measures to limit imports. Leaf imports are subjected to import license and duty restrictions that practically prohibit any import trade. And all tobacco products must receive prior import licenses, which recently have been granted only on very small amounts of imports.

Brazil. Hopes for continuation of the recent upward trend in tobacco production were quelled here in 1976 by unusually wet, cool weather throughout the season. As a result, Virginia flue-cured tobacco production fell nearly 9 percent below that of 1975 to about 97,000 tons, output of the native Amerelinho cigarette leaf declined by 10 percent, and burley production dropped about 13 percent to 23,000 tons.

A strong recovery is seen for 1977, however, and optimism abounds that a new record will be set. The new crop has been planted and is off to a good start, with production of flue-cured tentatively forecast to advance by 15-20 percent, and that of burley seen rising by 20 percent.

To ensure a sharp rebound, the Brazilian Government is giving extensive assistance to growers. Considerable

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BRAZILIAN LEAF TOBACCO AREA AND PRODUCTION

Type	Area[1] Average 1971-75	Area[1] 1976	Production Average 1971-75	Production 1976	Production 1977[2]
	Hectares	*Hectares*	*Metric tons*	*Metric tons*	*Metric tons*
Flue-cured	70,398	135,600	106,124	(3)	(3)
Virginia	(4)	(4)	(4)	97,111	115,000
Amerelinho	(4)	(4)	(4)	58,810	70,000
Burley	10,874	15,550	17,007	23,322	28,000
Other cigarette leaf	15,696	15,890	21,990	31,781	35,000
Twist	82,600	44,000	41,300	22,000	20,000
Cigar	33,356	30,000	33,500	20,000	20,000
Total	212,924	241,040	219,921	253,034	288,000

[1] 1977 figures are not available. [2] Forecast [3] Not available [4] Not indicated by type.

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Madagascar To Supplement Rice Crop With Imports

By HERBERT H. STEINER
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MADAGASCAR MAY have to import more than 100,000 tons of rice during 1976/77 because of damage to domestic rice crops wrought by typhoon and drought.

Earlier, the Madagascar Government had hoped that rice import needs during 1976 would total less than the 65,000 tons imported during 1975 from a number of Southeast Asian countries.

Because of the crop shortfall, the Government's goal of national self-sufficiency in rice has been postponed to 1978.

Production of unmilled rice in Madagascar during 1976 is expected to fall below 1.8 million metric tons, after reaching 1.97 million tons in 1974 and 1.95 million tons in 1975.

Madagascar has the potential for higher rice production, but despite developmental efforts during the 1960's, rice output failed to keep up with the increased demand brought about by expanding population, and by the early 1970's the country had become a net importer of rice.

A major new rice program was launched in 1973, and—as an incentive to producers—the price of paddy rice was raised early in 1974 from $60 per ton to $125 per ton. For a time, the program yielded positive results and the excellent harvests of 1974 and 1975 heightened the belief that self-sufficiency in rice would be achieved in 1977.

The 1976 decline in rice production came at a time when a third ($27 million) of the Government's capital budget was allocated to agriculture, mainly for purchase of machinery and equipment for State farms and for putting new land into rice production.

The Government also is mobilizing traditional agriculture through rural village councils (*fokonolona*) in the drive for increased output and marketing of rice. These councils are now responsible for collecting rice and delivering it to the State rice monopoly.

Starting with the proclamation in August 1975 of a new policy ("The Socialist Road to Development"), the Government began to nationalize all basic production and foreign trade. However, land expropriation up to now has been confined to large farms owned by foreigners.

Retail and wholesale prices for most agricultural commodities are set by the Government, and marketing of rice, peanuts, beans, and some other crops is handled by Government monopolies.

Dislocations and uncertainties resulting from the change to State control may have had an adverse effect on crop production.

Thanks to record exports of cloves during 1975 and high prices for coffee and chromite in 1976, Madagascar has $65-$70 million of foreign exchange reserves—enough to pay for the necessary level of rice imports.

Although earnings from clove exports during 1976 will be much lower than the record $78 million of 1975, high coffee prices are likely to hold the country's total farm exports near the $332 million level registered in 1975.

Strict import quotas established by the Government in 1976 are designed to keep imports from rising much above the 1975 level of $368 million.

Agricultural commodities account for about 80 percent of Madagascar's total exports. The three leading items are coffee, cloves, and vanilla. In 1974 coffee exports of 65,000 tons were valued at $65 million, with France and the United States the principal markets.

In 1975, the volume of coffee exported was about the same as in 1974, but with higher prices, returns from estimated 1976 coffee exports—with volume remaining approximately constant—are expected to set records.

Clove exports in 1974 totaled only 5,069 tons, valued at $16.7 million. Unusually high production in 1974 of 17,000 tons and higher prices made it possible for Madagascar to export 23,000 tons of cloves worth $78 million during 1975, but these levels are not likely to be repeated in 1976 because

Working a rice paddy in Madagascar.

1975 production dropped to 9,167 tons and stocks were wiped out by the high level of exports during 1975. The value of clove exports during 1976 is not likely to exceed $20 million.

Madagascar's exports of vanilla beans during 1974 amounted to 1,352 tons, valued at $18.6 million. The volume of vanilla bean exports probably declined a little during 1975 because of buyer resistance to higher prices.

STOCKS INCREASED because 1975's production of 1,700 tons was nearly double that of 1974. During 1974, the United States took 884 tons of vanilla beans, France 282 tons, and Germany 134.

Typhoon damage early in 1976 has cut the year's vanilla bean production to 800 tons, but stocks are large enough to sustain normal export sales.

Other agricultural commodities exported by Madagascar during 1974 were livestock products—mainly live

cattle to Mauritius and Reunion and chilled and frozen beef to France, Japan, and Reunion, $22 million; sisal, $10.6 million; clove oil, $8.4 million; sugar (almost all to the United States), $7.2 million; lima beans, $6.8 million; rice, $4.5 million; pepper, $4.4 million; raffia, $2.5 million; cocoa beans, $1.7 million; tobacco, $1.7 million; and bananas, $1 million.

Exports of special long-grain rice to a limited market in France amount to less than 10,000 tons annually. In 1976, Madagascar refused a U.S. offer of P.L. 480 rice because it was unwilling to forego these rice exports.

U.S. agricultural imports from Madagascar in fiscal 1976 were valued at $55 million. The principal commodities were sugar, $11.4 million; coffee, $31.4 million; vanilla beans, $5.6 million; cloves, $4.9 million; and clove oil, $1.5 million.

U.S. agricultural exports to Madagascar were valued at $1.8 million in fiscal 1976. Tallow accounted for $1.3 million of this total.

Egypt's Diversified Farm Exports Near Record in 1975

By JOHN B. PARKER, JR.
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THE VALUE OF Egypt's widely diversified farm product exports was at a near record level in 1975. Standing lower than the 1974 peak, they still were decidedly higher than in earlier years. Cotton and rice combined accounted for about 83 percent of the export total, and oranges and onions were also important export commodities.

The 1975 export total was $743.1 million, $32 million less than the record set the previous year, but some $40 million greater than the previous record of $702.8 million set in 1973.

Higher rice and cotton unit prices were responsible for the impressive revenues earned by these two commodities, but the future may see this income slashed as domestic demand for cotton and rice reduces export availabilities. However, larger foreign sales of fruits, vegetables, processed foods, textile goods, and specialty items are expected to help offset the drop in cotton and rice exports.

Egyptian extra-long staple cotton brings a premium price in world markets—often ranging from $1.20 to $1.55 per pound. When private importers in Europe and Japan fail to buy Egyptian cotton at high prices in Alexandria, contracts with Egypt's trade-agreement partners provide good backup.

Since prices for products exported from Egypt by the Soviet Union and East European countries are determined by trade-agreement arrangements, prices for Egyptian cotton to these markets have been higher than those reported for shipments to most West European customers.

Exports of Egyptian cotton to the Soviet Union declined from 110,281 tons, worth $153 million, in 1971 to 58,077 tons in 1974, but the value rose to $194.3 million. The Soviet Union reported receiving about 68,500 tons of Egyptian cotton in 1975, valued at about $200 million.

Total Egyptian cotton exports fell from a high of 333,000 tons in 1971 to about 232,000 tons in 1974, but higher prices caused the value to climb from $402 million to $714 million. Cotton exports declined to 185,000 tons in 1975 for a value of about $514 million.

Shipments of cotton to Japan declined from a peak of 53,000 tons for $145.5 million in 1974, to only 6,000 tons, valued at $11 million in 1975. Exports to India and the European Community fell in 1975.

Rice exports by Egypt were off from a peak of 772,000 tons, valued at $127 million in 1969, to only 98,000 tons in 1975, valued at $62.3 million. A considerable decline in rice production, greater demand in Egyptian cities, and new trade policies contributed to the downward drift in foreign sales of Egyptian rice.

Shipments to the Soviet Union in 1976 were scheduled to total 30,000 tons, down from 43,500 tons in 1975, and a steep drop from 150,000 tons annually during 1969-72. Jordan, Syria, and Libya have remained substantial markets for Egyptian rice in recent years as deliveries to Eastern Europe, the Soviet Union, and India dwindled.

Exports of Egyptian oranges climbed from 83,000 tons in 1972 to 246,000 tons in 1973 when 147,793 tons were sold to Soviet trading agencies. The German Democratic Republic, Yugoslavia, Jordan, Saudi Arabia, and Iran have also become larger markets for Egyptian oranges.

TOTAL EXPORTS of oranges fell below 200,000 tons in both 1974 and 1975 when deliveries to the Soviet Union were below 90,000 tons annually. Larger sales of oranges to Mideastern customers should have pushed the total above 280,000 tons in 1976.

High prices for onions in Mideastern countries during 1976 caused Egypt to increase exports to Iran, Saudi Arabia, and the Persian Gulf Sheikdoms. In addition to the new Mideastern demand, Egypt had a contract to deliver 60,000 tons of onions to the Soviet Union in 1976.

The Egyptian onion harvest in early 1976 was sizable and total exports that year should approximate 125,000 tons for a value of almost $50 million.

Iran and India had been major suppliers of onions to Kuwait, Qatar, the United Arab Emirates, and Oman in previous years. When both of these suppliers banned exports for a while in early 1976, importers from these Middle Eastern countries rushed to Egypt in search of an alternative supplier.

Egypt also cashed in on the potato shortage in Europe and the Mideast in 1976. The value of Egyptian potato exports reached a record $25 million, partly because of much larger deliveries to Iran, Saudi Arabia, Iraq, and some European countries. Egyptian potato exports increased from 29,000 tons in 1968 to 107,000 tons in 1973 for $17 million. However, they tapered off to 48,000 tons worth $11 million in 1975, before climbing to the 1976 peak.

"(Egypt's) higher rice and cotton prices were responsible for the impressive revenues earned by these two commodities, but the future may see this income slashed as domestic demand . . . reduces export availabilities."

Some of Egypt's important agricultural exports of the past have declined to token levels as domestic consumer demand for these products has overtaken local output. Sugar and peanuts are two examples.

Sugar exports to the Sudan, Yemen, Algeria, and Saudi Arabia were considerable in the early 1970's. In 1975, exports fell to extremely low levels and imports of sugar from India zoomed.

Egypt's exports of refined sugar declined from 110,064 metric tons, valued at $14 million, in 1971 to 46,689 tons in 1974, although higher unit prices pushed the value to $24 million. Algeria and Saudi Arabia were major markets in 1974 for Egyptian sugar.

In 1976, Egypt's imports of sugar from India and Latin America will exceed 200,000 tons and exports will fall to token levels. Booming domestic demand caused Egypt to switch from a net export position in sugar to a surprisingly large net import position.

Exports of molasses to the United Kingdom declined from 60,096 tons in 1971 to only 9,000 tons in 1975, while total molasses exports declined from 123,538 tons to about 25,000 tons. Exports of animal feed—mostly rice bran and oilcake meal—declined from 110,527 tons valued at $5.3 million in 1971 to only 22,000 tons worth about $3 million in 1975.

Exports of peanuts increased from 7,000 tons in 1967 to a peak of 21,000 tons in 1971, mostly because of larger deliveries to the Soviet Union and Eastern Europe. In 1976, Egypt switched to a net import position for peanuts as larger arrivals from Sudan exceeded deliveries to the Soviet Union under the trade agreement.

Many trade policy and food supply experts in Egypt think that cotton and rice could eventually go the way sugar and peanuts have already gone. Much larger imports of lower priced cotton will be needed to allow continued gains in domestic textile output and traditional exports of expensive grades of Egyptian cotton.

Egypt also switched from a net exporter to a large importer of pulses and canned vegetables. Exports of pulses fell from 4,192 tons in 1972 to less than 1,000 tons in 1974 and remained small in 1975.

Saudi Arabia, Oman, Kuwait, and Libya accounted for a large part of Egypt's exports of canned vegetables in 1972 when the value reached $4 million. Imports of canned vegetables from Mediterranean suppliers, the People's Republic of China, and Australia soared in 1975 and continued to rise in 1976.

Exports of fruit juice by Egypt increased markedly from 1973 to 1975, mostly because of larger sales to Saudi Arabia, Kuwait, the United Arab Emirates, Oman, Yemen, and Libya. Exports of rum and beer to the Soviet Union have increased since 1970, but the rate of growth has declined as demand increased from tourists in Cairo.

Exports of fresh vegetables to the European Community, Soviet Union, Saudi Arabia, Kuwait, Iran, Iraq, and Yugoslavia have increased recently, although deliveries to Lebanon and Libya have declined. Tomatoes, watermelons, green peppers, green beans, artichokes, and cucumbers are exported in considerable volume.

Thais Boost Tobacco Crops To Cut Imports

THAILAND—CONSISTENTLY in second or third place in Asia as a destination for U.S. manufactured tobacco—is still pushing its program to boost its production of high-quality domestic tobaccos with the aim of reducing tobacco imports. This policy may ultimately have an adverse effect on U.S. tobacco exports to that country but it will probably not become a serious threat for at least the next 5-10 years.

In 1975, when the United States exported 8,460 metric tons of unmanufactured tobacco to Thailand, it stood second to Japan as an Asian market for U.S. leaf. A year earlier, Thailand took 9,330 tons of U.S. tobacco and was in third place after Japan and Taiwan. During the period 1970-75, U.S. tobacco exports to Thailand averaged 8,880 tons annually.

The Thai Tobacco Monopoly (TTM) has been in charge of Thailand's tobacco upgrading program since the Agency's founding in 1941, and has been promoting larger outputs of burley, flue-cured, and Turkish leaf. It has done this by signing purchase contracts with farmers and some licensed curers who grow leaf under quotas issued by the TTM. But there are also a large number of growers not under TTM control who produce tobacco largely for sale to private exporters.

Despite TTM efforts, however, growth in Thai tobacco output and area generally has been moderate. With a somewhat more rapid growth rate, flue-cured output has risen about 7 percent, from 36,145 tons to 38,500 tons in the 1974/75-1976/77 period. Flue-cured controlled by TTM increased by 9 percent from 17,950 tons to 19,500 tons during this period. The volume percentage increase for growers for the private export trade was about half that of TTM growers. Total flue-cured area increased by just 3 percent in the period to 97,430 hectares.

In the same period, burley volume rose by 11 percent to 4,500 tons, and area was up 11 percent to 6,475 hec-

Above, Thai Tobacco Monopoly workers tying green tobacco on sticks for hanging in a curing barn. Left, dried leaf being baled. Thailand is especially interested in growing burley, flue-cured, and Turkish leaf to reduce the size of its tobacco imports and to expand exports. But it may be some time before U.S. leaf sales to that country are seriously affected.

tares mostly produced for export by the private trade.

The big percentage jump came in the production and area devoted to Turkish tobacco. Increasing in area by 65 percent from 930 hectares in 1974/75 to 1,537 hectares in 1976/77, and by 55 percent in volume from 678 tons to 1,050 tons, the biggest gain was by growers producing for private exporters.

Area gain by TTM growers was 37 percent during the 3-year period, volume rose 28 percent. This contrasts with a 110-percent area increase and 114 percent rise in volume by non-TTM growers.

Native sun-cured leaf volume grew by 3 percent to 25,500 tons in 1976/77, and area by 5 percent to 43,505 hectares, with nearly all of it grown by non-TTM producers.

Although estimated gain in tobacco outturn in 1976/77 reflects the results of favorable weather and higher fertilizer use, there was widespread discouragement among tobacco growers—especially those growing for sale to private exporters—because they feared a repetition of the weak prices of 1975/76. Thus, most of the year's tobacco production increase will come from larger areas planted by farmers who sell to TTM.

Moreover, since TTM makes available adequate amounts of fertilizer at reasonable prices to its contract growers, their yields—and thus production—will probably be higher in 1976/77 than in the previous year.

—Based on report from
Office of U.S. Agricultural Attaché, Bangkok

Canada's Farm Outlook

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The pullet laying flock has been falling in size, from an average of 24.1 million head in 1970-74 to a monthly average in 1976 of 21-22 million head. Heavy culling of less productive fowl has resulted in an improvement in the laying rate. The pullet flock is expected to increase 3-4 percent in 1977.

Marketings of eggs in the first quarter of 1977 are expected to be slightly more than 1 percent above the same period a year earlier. The total increase in egg production in 1977, however, will probably be marginal. Imports of eggs were twice as large as the established import quotas for the year.

Cow numbers on farms on July 1, 1976, were 4 percent fewer than a year earlier—2.05 million head—with the largest provincial decline registered in Quebec, where the dairy herd fell by 40,000 head.

Output of butter in 1976 declined 15,880 tons to 112,490 tons. On November 5, 1976, the Canadian Government introduced a program to divert industrial milk away from butter production to that of cheese.

Total milk production may sag slightly in 1977. Butter production is expected to be down 10-12 percent and NFDM production will probably be around 147,420 tons.

There were no shortages of farm inputs in 1976, and adequate supplies are expected to continue into 1977. An 8 percent increase in the price of Canadian crude oil, however, is expected to have direct and indirect effects on the cost of farm sector inputs. Crude oil price increases, for example, are major factors, accounting for an expected 10 percent rise in farm machinery operating expenses in 1977. Energy expenditures have accounted for a mounting proportion of farm operating costs. In 1975, expenditures for fuel oil and electricity represented 9.4 percent of farmers' operating expenses.

As a result of the drop in revenue and the increase in operating costs, net farm income for 1976 was off 20 percent from the record high of Can$4.25 billion in 1975, to Can$3.36 billion in 1976. Net farm income could fall an additional 20-25 percent in 1977, primarily due to an expected 10 percent cut in revenue from crop production and a 5 percent increase in operating expenses.

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Mexico-Brazil Tobacco

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credit is being made available to the growers, with most loans now handled by the Bank of Brazil rather than by the buying companies as was traditionally done. Also, technical assistance to the growers by manufacturers and exporters is resulting in steady quality improvements and thus better producers returns.

Official grower prices for the 1976 crop were about one-third higher than in previous seasons and ranged from 22 cents to US$1.23 per kilogram for Virginia leaf and slightly less for native leaf. Prices for the new crop are expected to be announced soon, with buyers anticipating an average boost of about 40 percent due to currency devaluations. These sharp gains may cut into Brazil's competitive edge on world markets even while encouraging domestic tobacco output. Exporters are confident nonetheless that they can maintain a competitive trade position.

This trade has been expanding each year since the mid-1960's. From an average of about 47,000 metric tons in that period, exports of cigarette leaf, largely flue-cured, shot to 98,000 tons in 1975. Cigarette leaf accounted for over 70 percent of the 1975 total. If expectations are realized, cigarette leaf shipments in 1977 should reach 85,000 tons, while total tobacco exports approach 100,000 tons.

The major markets for Brazil's tobacco exports include the European Community, taking over 50 percent; the United States, 15 percent; and Spain, about 12 percent.

BRAZILIAN LEAF TOBACCO EXPORTS, CALENDAR YEARS 1971-75
[In metric tons]

Destination	1971	1972	1973	1974	1975
United States	5,630	13,720	9,225	13,006	15,275
European Community:					
West Germany	8,743	9,186	7,423	11,057	14,056
Denmark	2,652	2,317	2,679	2,251	3,067
France	8,371	6,411	6,757	15,392	10,513
Ireland	255	226	262	453	669
Netherlands	8,709	7,051	5,269	8,485	6,985
United Kingdom	2,274	3,507	5,890	6,875	6,751
Belgium-Luxembourg	2,341	2,588	2,531	2,867	2,747
Italy	55	1,471	2,144	2,455	5,839
Total EC	33,400	32,757	32,955	49,835	36,571
Spain	12,317	8,343	10,055	11,794	12,176
Japan	171	—	257	1,001	2,277
All others	9,469	9,754	12,312	17,381	17,822
Total	60,987	64,574	64,804	93,017	98,177

MEXICAN LEAF TOBACCO AREA AND PRODUCTION, BY TYPE

Type	Area			Production		
	Average 1971-75	1976	1977	Average 1971-75	1976	1977
	Hectares	*Hectares*	*Hectares*	*Metric tons*	*Metric tons*	*Metric tons*
Flue-cured	5,593	5,195	5,285	5,396	7,965	7,510
Burley[1]	9,235	14,991	16,321	12,907	24,409	25,550
Other light cigarette leaf	15,115	11,052	10,737	31,123	21,246	20,560
Oriental	602	494	570	617	789	980
Dark leaf	5,210	7,691	7,922	8,193	9,931	10,900
Total	35,755	39,423	40,835	58,236	64,340	65,500

[1] Includes sun-cured burley.

MEXICAN LEAF TOBACCO EXPORTS, CALENDAR YEARS 1971-75
[In metric tons]

Destination	1971	1972	1973	1974	1975
United States	2,693	5,900	6,553	13,382	9,270
West Germany	4,073	4,296	3,647	4,273	2,451
Other European Community	267	864	1,149	1,661	754
Japan	1,828	2,016	2,478	3,436	3,163
All others	1,914	1,548	4,298	3,642	1,851
Total	10,775	14,624	18,125	26,394	17,489

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